



Cleveland District Office News

Information for the Small Business Community

March 2007

U.S. Small Business Administration
Cleveland District Office

1350 Euclid Avenue, Suite 211
Cleveland, Ohio 44115-1815

Phone: 216-522-4180
Fax: 216-522-2038

March 2006 Newsletter
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For More Information
SBA Home Page: www.sba.gov

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk: 1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-800-REG-FAIR

LOAN REPORT *as of February 28, 2007*



Total Loan Volume – FEBRUARY 2007 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
National City Bank	102	\$14,628
Charter One Bank	100	\$4,610
Huntington National Bank	82	\$21,309
JP Morgan Chase Bank	80	\$5,801
U.S. Bank	56	\$4,922

504 Loans

Bank	Number of 504s
National City Bank	10
FirstMerit Bank	6
Sky Bank	6
Huntington National Bank	5
JP Morgan Chase Bank	4

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	15	\$6,024
Cascade Capital Corp.	12	\$8,404
MVEDC	6	\$2,870
Stark Dev Board Finance Corp.	6	\$1,505
Northwest Ohio Dev Ass't	4	\$1,360
Community Capital Dev Corp.	2	\$1,243
Lake County SBAC	1	\$394
MEACO	1	\$58
Ohio Statewide	1	\$95
West Central Partnership	1	\$1,768

A Partnership for Economic Development in Southeast Cleveland

The new **Small Business Initiative for Wards 1 and 3** of the city of Cleveland was formally introduced at a February 26th press conference held at the Urban League of Greater Cleveland. The initiative is a partnership of the city of Cleveland's Wards 1 & 3, the Mt. Pleasant Community Zone, the Urban League of Greater Cleveland, the U.S. Small Business Administration (SBA), the Hebrew Free Loan Association, and the local banking community. The **Small Business Initiative for Wards 1 and 3** has been designed to produce highly qualified entrepreneurs that can have a positive impact on the economy of the Southeast wards of the city of Cleveland.

The Initiative couples the SBA's loan guaranty and training and counseling programs and a supplemental equity pool supplied by Wards 1 and 3 of the city of Cleveland and the Mt. Pleasant Community Zone. Entrepreneurs interested in opening or expanding their business in either Wards 1 or 3 must have at least 10% equity for their transaction and qualify for an SBA guaranteed loan. The supplemental equity pool provides an additional 15% equity (up to \$25,000) into the entrepreneur's project. This 15% supplemental equity takes the form of a performance grant (a subordinate loan that is forgiven over a three year period as long as the entrepreneur remains in business). Finally, the Hebrew Free Loan Association provides the entrepreneur with an interest free loan up to \$7,500 to fund the final part of the project. For entrepreneurs that do not qualify for the **Small Business Initiative for Wards 1 and 3**, the city of Cleveland also announced a second unique program known as the **Neighborhood Small Business "Low Equity" Loan Program**. Entrepreneurs with only 3% equity to invest into a project may qualify for a maximum \$35,000, 7 year, below market interest rate loan through the City.

In order to participate in the Initiatives, entrepreneurs must successfully complete a business plan through the Multicultural Small Business Development Center located at the Urban League of Greater Cleveland. Those interested in applying for assistance under the initiative should contact Debra Lewis-Curlee, Executive Director of the Mt. Pleasant Community Zone, at (216) 752-3492. *(continued on page 3)*



SBA Cleveland District Director Gil Goldberg discusses the Initiative with businessman and community leader Art McKoy.



Congresswoman Stephanie Tubbs-Jones speaks at the press conference as Cleveland Councilman Zack Reed, Debra Lewis-Curlee, Executive Director of the Mt. Pleasant Community Zone and Cleveland Councilwoman Nina Turner look on.



Rabbi Susan Stone of the Hebrew Free Loan Association explains the interest free loan component of the program, sponsored by the Association.



Ratanjit Sondhe of Poly Carb, Inc., Stephan Holmes, Jennifer Blankenship, and Dave Janus of FirstMerit review the announcement.

The event attracted much attention from both the media and local lenders, including Lisa Rucker of National City Bank and Key Bank's John Mosier (standing at back).



Wards 1 and 3 Initiative, (continued from page one)

I am extremely proud to be a part of these innovative programs," said Rep. Stephanie Tubbs Jones. "These programs will provide a tremendous opportunity for small business owners and those hoping to become entrepreneurs in Wards 1 and 3 while fostering a strong sense of economic development and growth within the Cleveland community. Additionally, this program will help bridge the gap for many minority-owned businesses, which often do not have access to capital and resources." "With this program, we are laying the foundation for rebuilding our neighborhoods," said Mayor Frank G. Jackson. "By strengthening small businesses, we are supporting true empowerment and wealth creation in our neighborhoods."

"Bringing jobs and investment to Ward 1 remains a top priority; it is critical to moving Ward 1 forward," stated Ward 1 Councilwoman Nina Turner. "Nurturing the entrepreneurial spirit that we know exists in our community is a great place to start." "This is a true public-private partnership that has worked in other communities in Ohio to strengthen and create small businesses," said Ward 3 Councilman Zachary Reed. "I firmly believe that such a partnership will work in our two communities as well."



Myron Robinson, President and CEO of the Urban League of Greater Cleveland, addresses the crowd.

"This partnership creates a unique and exciting opportunity for Southeast Cleveland entrepreneurs to start and grow their businesses in this targeted revitalization area," said Gil Goldberg, District Director of SBA's Cleveland District Office. "The Initiative represents pure economic development at its finest that combines unique public/private incentives such as forgivable loans with traditional SBA financing. It is our hope that the Initiative will be a showcase of economic development that will be emulated in other areas of northern Ohio." "This partnership builds a much needed foundation that provides economic opportunity for each citizen to control their own fate," said Myron Robinson, President-CEO of the Urban League of Greater Cleveland.

Participating lenders in this initiative include Charter One Bank, FirstMerit Bank, Huntington Bank, KeyBank, National City Bank, ShoreBank, Sky Bank, US Bank, and the Faith Community United Credit Union. ♦

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LETTER FROM THE DISTRICT DIRECTOR



To Our Lending Partners

Dear Lender:

The Small Business Administration (SBA) recently announced the opening of its Standard 7(a) Loan Guaranty Processing Center (LGPC) as part of its continuing effort to improve customer service. This change is designed to allow us to serve you and our mutual small business concerns in a more efficient manner.

As of March 19, 2007, the LGPC will process all standard 7(a) loan guaranty applications (regular 7(a), CAPLine, and International Trade loans) from lenders in the territory of SBA's Cleveland District Office. It does not include Export Working Capital Program (EWCP) loans, which will continue to be processed through the Cleveland USEAC.

Instructions for submitting 7(a) loan applications are available online at the SBA's banking website, www.sba.gov/banking.

Please continue to send loan applications submitted under a lender's delegated authority (Preferred Lender Program (PLP), SBAExpress and Community Express programs) to the Sacramento Loan Processing Center (PLP/504 center) for processing.

If you have any questions or concerns regarding the new process, please feel free to contact me or Frank Pucci, Center Director, Standard 7(a) Loan Guaranty Processing Center. Mr. Pucci may be reached at (916) 930-2450. A letter from Mr. Pucci is also included in the newsletter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gil Goldberg".

Gil Goldberg
District Director
(216) 522-4182

ps: I strongly encourage you to contact myself, Jim Donato, or Mark Hansel should you need assistance in structuring an SBA loan or putting together an SBA 7(a) loan package for submission to the new LGPC. We will do whatever is necessary to assist you.

NEWS FOR SBA LENDERS

From the 7(a) Loan Guaranty Processing Center Director



Dear 7(a) Lender:

The Standard 7(a) Loan Guaranty Processing Center (LGPC) will be assuming responsibility for processing of all of the Cleveland District Office's 7(a) loans beginning March 19, 2007. This measure enables SBA to better meet the needs of the small business community in gaining access to our lending programs and to more efficiently process 7(a) loan guaranty applications.

Our office has a staff dedicated to loan processing only, with a goal to provide experienced professional guidance and reasonable turnaround on all standard 7(a) applications. The LGPC has two physical locations; however, it is linked electronically to function as a single processing facility.

You can assist our efforts to process your loans as efficiently as possible by noting the following:

1. Lenders must have a Loan Guaranty Agreement (SBA Form 750) on file with their local SBA field office.
2. Current forms and submission instructions can be found at www.sba.gov/banking. The submission instructions will be updated as streamlining changes are enacted.
3. Please be sure all sections of the application are completed. Lender contact person(s) name(s) with fax numbers and email addresses are especially appreciated.
4. Loan packages should be sent to the following: By Fax Either 606-435-2400 or 916-930-2180, by mail or FedEx to 262 Black Gold Blvd, Hazard, KY 41701, or by email to loanprocessing@sba.gov.

We look forward to our continued partnership with you in providing financial assistance to America's small businesses. If you have any questions, comments, or concerns, please call me at 916-930-2450.

Sincerely,



Frank Pucci
Center Director

State of the SBA, FY 2006

- The U.S. Small Business Administration closed out a record year in FY 2006 and continued to build upon a strong record of accomplishment, providing more than twice as many loans to small businesses as in FY 2001. The agency surpassed its previous lending records in both the 7(a) and 504 loan programs, and established volume records in loans to minorities. In addition, the agency's technical assistance programs reached more than 1.42 million small business customers.
- The combined number of loans approved for the agency's two primary loan programs of 107,233 is a record. All told, the SBA approved \$23.15 billion in loans and venture capital financing for more than 111,850 small businesses in FY 2006, compared to \$23.17 billion for 109,800 small businesses in FY 2005.
- For FY 2006 (ending 9/30/06), the SBA approved an agency record 97,290 loan guaranties amounting to \$14.524 billion in the 7(a) General Business Loan Guaranty program. **SBA's Cleveland District Office approved 2,046 7(a) loans in FY 2006, amounting to \$240.5 million.**
- SBA also approved 9,943 loans worth \$5.73 billion under the Certified Development Company, or 504, loan program, both records. **SBA's Cleveland District Office approved an office record 131 504 loans in FY 2006, amounting to \$52.3 million.**
- SBA's Microloan program, which promotes economic empowerment at the smallest levels, provided \$32.77 million in loans to 2,520 borrowers. Under the program, SBA provides funding for loans and technical assistance to non-profit community-based lenders. Since 1992, those lenders have loaned more than \$305 million to more than 25,650 entrepreneurs, with an average loan size of about \$11,888. **SBA's Cleveland District Office has several microlending intermediaries serving specific areas: WECO in Cleveland, Community Improvement of Lake County in Painesville, and the Kent Regional Business Alliance in Kent.**
- Over the past five years, (FY 2002-2006), the SBA has approved more than 433,132 loans worth more than \$87.2 billion, more than the total for the agency's first 42 years. **SBA's Cleveland District Office has approved 8,350 loans over the past five fiscal years, amounting to \$1.2 billion.**
- More than 32 percent of all SBA-approved loans and 33 percent of loan dollars in FY 2006 went to minority borrowers – \$6.73 billion to almost 34,630 minority-owned small businesses. SBA approved 23,450 loans worth \$3.44 billion to women-owned businesses, the second largest one-year totals ever. **SBA's Cleveland District Office approved 299 minority-owned business loans in FY '06 for \$43.4 million. It also approved 409 women-owned business loans in FY '06 for \$44.4 million.**
- SBA's Disaster Assistance program approved 169,983 disaster loans during FY 2006 for \$11.17 billion. ♦

Small Businesses are Job Creators

It is easy to be an advocate for small business. Small firms account for half of our gross domestic product, employ half of the American workforce, and generate most of our net new jobs. Moreover, small business patents push the boundaries of technology, and their innovations are the source of new markets, enhanced competition, and expanded economic growth and employment. It is no wonder that politicians of both parties are eager to embrace entrepreneurs.

From time to time, small business advocates are challenged by those who feel that the importance of small businesses to the economy is exaggerated. These arguments are not new. A recent article in an American Enterprise Institute magazine, for instance, attempts to refute the net job creation of entrepreneurs; but this article, like the ones that came before it, is simply inaccurate.

Thirteen months ago, the U.S. Bureau of Labor Statistics found that small businesses generated 65 percent of the net employment growth between September 1992 and March 2005, confirming similar data from the U.S. Census Bureau. Far from a myth, the reality is that most net job creation takes place in the first two years of a firm's existence and within firms that employ fewer than 20 workers.

Many of these firms will become fast-growing "gazelles" that will eventually grow to be large firms that employ hundreds or thousands of people. That growth is due to the hard work, innovation, and risk-taking by entrepreneurs who have a vision for the future and the passion to turn dreams into reality.

Many of those who attempt to deny the data on small business and job creation also take issue with attempts to level the playing field for small firms by reforming rules and regulations.

However, Office of Advocacy research by Dr. Mark Crain shows that firms with fewer than 20 employees annually pay 45 percent more per employee to comply with federal regulations than their larger counterparts do.

Clearly, one-size-fits-all regulatory approaches have much larger impact on small businesses. Moreover, many times these firms are caught in a web of safety, tax, and environmental regulations when small businesses are not part of the problem that the regulations are attempting to solve.

Over 25 years ago, Congress recognized this dilemma and passed the Regulatory Flexibility Act (RFA). Simply stated, the RFA helps protect small business from unnecessary regulatory burdens. It requires federal regulators to draft small business impact statements whenever they propose new rules. Also, the RFA requires that agencies consider less burdensome alternatives that do not undermine the intent of the regulations.

Ensuring that small businesses are taken into consideration when new regulations are being written does not give small businesses an unfair advantage. It merely helps level the playing field and allows small business owners to focus their attention on what they do best -- create innovative new products and services, generate jobs, and grow the economy.

As evidenced by reputable research and statistics, entrepreneurs play a unique role in our economy; they are dynamic, creative, innovative, and job-creating. Policymakers and academics appreciate their importance to economic growth and future employment. To do otherwise would be a serious omission. ♦

--- Ray Marchiori, SBA Office of Advocacy Regional Advocate for Ohio.

Mr. Marchiori is the direct link between small business owners, state and local government agencies, state legislators, small business associations, and SBA's Office of Advocacy.

Contact Ray Marchiori at (312) 353-8614 or raymond.marchiori@sba.gov.

SBA Loans to Small Business Exporters Surpass \$1 Billion

The U.S. Small Business Administration made a record number of export loans in FY 2006 and surpassed the \$1 billion mark for the first time in the history of the program. The SBA Office of International Trade reported 3,302 loans for \$1.03 billion to small business exporters in FY 2006, doubling the number of export loans made in FY 2003. The dramatic increase in export lending reflects the general trend for SBA loan volume in FY 2006, which closed out a record year in its two most popular loan programs, 7(a) and 504. During the year, small businesses exported a record \$375 billion, more than \$1 billion a day, which means exports grew three times as fast as the overall economy. With exports growing faster than the economy as a whole, U.S. production is shifting to the export sector. This will continue to be an important source of growth and job creation for small business. As much as one-quarter of U.S. growth is now attributable to exports. Through its Export Assistance Program, the SBA has played an important role in helping more small businesses grow and expand their export operations or break into the international trade game. Not only did the SBA set a record in export financing, it also supported \$2.1 billion in export sales, counseled and trained close to 10,000 small businesses, trained 2,853 export lenders, initiated 30 Export Trade Assistance Partnership programs with 561 small business participants and co-guaranteed with the Export-Import Bank 14 small business export loans of up to \$2 million.

Through its Office of International Trade, the SBA also is actively involved in the promotion and support of international trade and economic policies of the United States as they relate to small business. In that framework, the SBA has participated in numerous global efforts, among them initiating the SME Congress of the Americas, providing expertise to the U. S. Trade Representative on small business issues in negotiations such as CAFTA, AGOA and the FTA with Thailand, providing trade linkages between U.S. and Mexican businesses under the Partnership for Prosperity, participating in U.S. diplomatic efforts with many different countries, e.g. Egypt, Nigeria, Russia, to help them stimulate development and growth of their small business sectors, signing letters of intent on small business trade and development with government agencies in China, Brazil, Mexico, Korea and India. ♦